



## What is new for 2011?

- The **Research and Development Credit** scheduled to expire December 31, 2010, has been extended through tax years ending on or before December 31, 2015. If you are a fiscal year filer and did not claim any Research and Development Credit on your return for a tax year ending in 2011, you may amend your return for that tax year to claim the credit, as if the credit never expired.
- **Short-year filers:** For tax years beginning on or after January 1, 2012, a **Live Theater Production Tax Credit** and a **River Edge Historic Preservation Credit** are available. These credits are administered by DCEO, cannot reduce your tax liability below zero, and provide a five-year carryforward for any excess credit unused in the earned year.
- Schedule INL, Illinois Net Loss Adjustment for Cooperatives, has been expanded to allow REMIC owners to adjust their Illinois income due to disallowed deductions or losses, that would otherwise be allowable, except for IRC limitations, which prohibit taxable income of the REMIC holder from being less than the excess inclusion amount derived from the REMIC. See Specific Instructions and Schedule INL for more information.
- Any tax credit scheduled to expire in 2011, 2012, and 2013, as required in the Illinois Income Tax Act, has been extended by adding five years to the named expiration date.
- For tax years ending on or after January 1, 2011, and before December 31, 2014, corporations, other than S corporations, may not use Illinois net loss deductions (NLD) earned in prior years. Form IL-1120, Line 38 is marked as not applicable. You may still earn NLDs in accordance with Illinois law. You may also need to use Schedules NLD and UB/NLD if you are required to adjust your NLD due to a discharge of indebtedness. See Specific Instructions for more information.
- For tax years beginning on or after January 1, 2011, and ending on or before December 31, 2016, an **Angel Investment Credit** may be claimed in an amount equal to 25 percent of an investment made directly in a qualified new business.
- **The New Markets Credit is allowed for qualified investments made between 2008 and 2017** in a community development entity. Credits are allowed on the second anniversary of the investment (tax years ending on or after December 31, 2010), and the next four anniversaries. The credit may not reduce tax below zero and may be carried forward for five years. See Specific Instructions for more information.
- For tax years beginning on or after January 1, 2010, the Veterans Jobs Credit has been increased to the lesser of 10 percent of wages or \$1,200 per qualifying employee.

## General Information

### Who must file Form IL-1120-X?

You should file Form IL-1120-X if you are amending a previously filed, processable Form IL-1120, Corporation Income and Replacement Tax Return, or Form IL-1120-X, for a tax year ending **on or after** December 31, 1986. Your change can occur from a state or federal change that affects items used to compute your Illinois net income, net loss, or credits, such as

- an amendment of your federal income tax return,
- an adjustment made by the Internal Revenue Service (IRS), or
- any other recomputation or redetermination.

A separate Form IL-1120-X must be filed for each tax year you need to amend.

### What if I need to change my return before the extended due date expires?

If you filed your original Form IL-1120 and a state or federal correction or change needs to be made before the extended due date expires (see the instructions of your original return), you should file Form IL-1120-X. Due to the automatic extension, any return filed after the original return and on or before the extended due date will be treated as the original return.

If you are filing Form IL-1120-X to change the election on your original return to treat all income other than compensation as business income, mark the box in Step 1, Line O, and provide a written explanation indicating the change to your election on Form IL-1120-X, Step 2.

### How long do I have to amend my return?

The amount of time you have to amend your return depends on whether your Form IL-1120-X is being filed to report a state or federal change.

**State change** - If your change creates or increases the Illinois net loss for the year, you must file Form IL-1120-X showing the increase in order to carry the increased loss amount to another year.

If your change decreases the tax due to Illinois and you are entitled to a refund, you must file Form IL-1120-X within

- three years after the due date of the return (including extensions),
- three years after the date your original return was filed, or
- one year after the date your Illinois tax was paid, whichever is latest.

If your change increases the tax due to Illinois, you should file Form IL-1120-X and pay the tax, penalty, and interest promptly.

**Federal change** - You should not file this form until you receive a federal finalization notification from the IRS stating that they have accepted your change, either by paying a refund, or by final assessment, agreement, or judgment.

If your federal change decreases the tax due to Illinois and you are entitled to a refund, you must file Form IL-1120-X within two years plus 120 days of federal finalization.

If your federal change increases the tax due to Illinois, you must file Form IL-1120-X and pay any additional tax within 120 days of IRS partial agreement or finalization. In order to avoid late payment penalties, you must attach proof of the federal finalization date, showing the change was reported to Illinois within 120 days of IRS acceptance, or you may be assessed a late-payment penalty.

**Note** → If you fail to notify us of your change by filing Form IL-1120-X, we may issue a notice of deficiency at any time. Once you file your change, we may issue a notice of deficiency within two years.

### What if my amended return involves unitary filing?

If you are amending your original

- unitary Form IL-1120 to report a state or federal change to your unitary income, you must file one combined Form IL-1120-X for all members and a revised Illinois Schedule UB, Combined Apportionment for Unitary Business Groups.
- non-unitary Form IL-1120 to be included in an existing unitary group, you must file Form IL-1120-X, reporting a zero tax liability, and the unitary group must file one combined Form IL-1120-X and attach a revised Illinois Schedule UB that includes you as a member.

## What if my amended return involves an Illinois net loss deduction (NLD)?

**Note** For tax years ending on or after January 1, 2011, and before December 31, 2012, the use of net loss deductions is suspended. You may continue to earn losses that can be carried when the suspension expires. For tax years ending on or after December 31, 2012, and before December 31, 2014, net loss deductions may not exceed \$100,000.

If you are a cooperative, filing form U.S. 1120-C, you must complete Schedule INL, Illinois Net Loss Adjustments for Cooperatives, for 2010. If you make the election to split your patronage and nonpatronage income and loss amounts, you are required to complete Schedule INL every year and make the loss computations on Schedule NLD or UB/NLD.

If you had discharge of indebtedness income for a taxable year ending on or after December 31, 2008, and all or a portion of this income was excluded from your federal gross income due to bankruptcy or insolvency, then you may be required to reduce any Illinois net loss you incurred for that year or Illinois net loss carryovers to that year before you determine your Illinois NLD. See the instructions for Form IL-1120, Step 5 and Schedule NLD or UB/NLD for more information.

If you have an Illinois net loss for this tax year, you must file Form IL-1120 reporting the loss in order to carry the loss forward to another year.

Do not file Form IL-1120-X to report an Illinois NLD carryforward until **after** you have filed the loss year Form IL-1120 or Form IL-1120-X reporting the loss. When you file Form IL-1120-X, you must attach a completed Illinois Schedule NLD or UB/NLD. **Failure to attach the correct and completed schedule could result in partial or total denial of your claim.**

If you need more information visit our web site at [tax.illinois.gov](http://tax.illinois.gov) and view the Illinois Income Tax Regulations, Sections 100.2050 and 100.2300 through 100.2330.

## Who should sign the return?

Your Form IL-1120-X must be signed by the president, vice president, treasurer, or any other officer duly authorized to sign the return. If you paid someone to prepare your return, that individual must also provide a signature, date the return, and provide his or her tax identification number. If the preparer is an employee or partner of a firm or corporation, he or she must also provide the firm's name, address, and instead of the preparer's taxpayer identification number he or she must provide the firm's FEIN. Self-employed preparers must check the "self-employed" box and provide their own name, address, and preparer's taxpayer identification number in the appropriate spaces.

## Can a reasonable facsimile be used?

In general, you must obtain and use forms prescribed by the Illinois Department of Revenue. Separate statements not on forms provided or approved by the department will not be accepted and you will be asked for appropriate documentation. **Failure to comply with this requirement may result in failure to file penalties, or delay the processing of your return, or generating any refund.** Additionally, failure to submit appropriate documentation when requested may result in a referral to our Audit Bureau for compliance action.

**Corporations must complete Form IL-1120-X.** Do not send a computer printout with line numbers and dollar amounts attached to a blank copy of the return. Computer generated printouts are not acceptable, even if they are in the same format as the department forms. Computer generated forms from a department-approved software developer are acceptable.

## What if I need additional assistance or forms?

*If you need additional assistance, forms or schedules,*

- visit our website at [tax.illinois.gov](http://tax.illinois.gov);
- write to us at **P.O. Box 19044, Springfield, Illinois 62794-9044**;
- call our Taxpayer Assistance Division at **1 800 732-8866 or 217 782-3336**; or
- call our telecommunications device for the deaf at **1 800 544-5304**.

## What are the penalties and interest?

**Penalties** — You will owe

- a **late-filing penalty** if you do not file a processable return by the extended due date;
- a **late-payment penalty** if you do not pay the tax you owe by the original due date of the return;
- a **bad check penalty** if your remittance is not honored by your financial institution;
- a **cost of collection fee** if you do not pay the amount you owe within 30 days of the date printed on your bill.

**Interest** — The interest rate is the "short-term federal rate" for the first year that the overpayment or underpayment accrues interest. This rate is set by the IRS under IRC Section 6621. After one year, interest will accrue on any remaining balance at the underpayment rate, which is also set by the IRS under IRC Section 6621, and is 3 percent higher than the short-term federal rate.

**Note** For more information about penalties and interest, see Publication 103, Penalties and Interest for Illinois Taxes. To receive a copy of this publication, see "What if I need additional assistance or forms?" for our phone numbers and addresses.

## What must I attach to my Form IL-1120-X?

This form must contain a complete explanation of the reasons for filing the claim or amendment. You **must** attach proof of the federal finalization date and any required schedules or forms (or reasonable facsimiles) to support your claim. If Form IL-1120-X is submitted without the proper attachments it may be partially or totally denied.

If you are filing Form IL-1120-X because

- you filed a federal Form 1120X or federal Form 1139 and your tax due to Illinois decreases, you must attach proof of the federal finalization date, include a copy of that return, plus any other related forms, schedules, or attachments, including a signed and dated copy of any federal report of income tax examination changes (e.g., Form 4549A and B), if applicable.
- you filed a federal Form 1120X and your tax due to Illinois increases, you must attach proof of the federal finalization date, including a signed and dated copy of any federal report of income tax examination changes (e.g., Form 4549A and B), if applicable, showing the change was reported to Illinois within 120 days of IRS acceptance, or you may be assessed a late-payment penalty.
- of a change by the IRS, you must include all copies of the federal examining officer's reports, including preliminary, revised, corrected, and superseding reports, and a signed and dated copy of any federal report of income tax examination changes (e.g., Form 4549A and B), if applicable.
- you copied information incorrectly from your federal Form 1120 onto your Form IL-1120, you must include a copy of your federal Form 1120.
- of a change in, or audit of, another state's tax return, you must include a copy of the other state's corrected return or the examining officer's reports.
- of an Illinois net loss carryback, you must include a completed Illinois Schedule NLD or UB/NLD. See Specific Instructions for Step 6, Line 38.
- of changes, other than those described above, see Form IL-1120 Instructions and any schedules for the year you are changing to determine what attachments you must provide.

*Additional forms-only options:*

- call our 24-hour Forms Order Line at **1 800 356-6302**; or
- write to us at **P.O. Box 19010, Springfield, Illinois 62794-9010**.

Our office hours are 8:00 a.m. to 5:00 p.m., Monday through Friday.

# Specific Instructions

For instructions regarding completion of Steps 1, and 3 through 8, refer to the Form IL-1120 Instructions and schedules for the year being amended.

Specific instructions for most of the lines are provided on this page. Lines that are not discussed in the instructions are self-explanatory.

Write the tax year you are amending in the space provided at the top of Form IL-1120-X.

## Step 1: Provide the following business information

**A — All taxpayers:** Type or print your legal business name. If you have a name change from your original return, check the corresponding box.

**B —** Complete Line B and check the corresponding box **only** if you have an address change from your original return. **Do not complete Line B** if the information is the same as last year.

**C —** If you are filing an Illinois **combined unitary return**, check this box and the box for Line F, and attach a complete and corrected Illinois Schedule UB.

— If you are a **foreign insurer**, check the box and, if you are entitled to a tax reduction, attach a completed Illinois Schedule INS, Computation of Tax for a Foreign Insurer. Combined unitary return filers with one or more foreign insurer members, check both boxes. If your unitary group is entitled to a tax reduction, attach a completed Illinois Schedule UB/INS, Computation of Tax for a Unitary Business Group with Foreign Insurer Members. Complete Form IL-1120-X, writing the corrected tax amounts from Illinois Schedule INS or UB/INS on Step 9, Lines 50 and 51.

**D —** Check the box if you are filing this form only to report an increased net loss and no refund will result. Complete Steps 3 and 4, and Step 5, if applicable, and Step 6, Lines 35 through 37. Sign the return in Step 10 and leave the rest of the form blank.

**E —** If you completed federal Form 8886 or Schedule M-3 to report a tax shelter and you did not attach a copy to the original return, check the appropriate box and attach a copy of the federal form or schedule to this return. If you are filing this return because of changes associated with federal Form 8886 or Schedule M-3, provide a detailed explanation in Step 2.

**G —** You must check the box and attach Schedule 1299-D, Income Tax credits if you are entitled to take income tax credits on Step 8, Line 48, even if the amount is not changing from your original return, or if you have earned credits in this tax year, but are unable to use them.

**H —** You must check the box and attach Schedule IL-4562, Special Depreciation, if you are claiming special depreciation addition or subtraction modifications on Form IL-1120-X, even if the amounts are not changing from your original return.

**I —** You must check the box and attach Schedule M, Other Additions and Subtractions (for businesses), if you are claiming other addition or subtraction modifications on Form IL-1120-X, even if the amounts are not changing from your original return.

**J —** You must check the box and attach Schedule 80/20, Related-Party Expenses, if you are claiming related-party expense modifications on your Form IL-1120-X, even if the amounts are not changing from your original return.

**L —** Write your North American Industry Classification System Code. If you are unsure of your code, you can research the information at [www.census.gov/eos/www/naics/](http://www.census.gov/eos/www/naics/) or [www.irs.gov](http://www.irs.gov).

**N — Check the appropriate box for the reason you are filing this return.** If you are amending due to a federal change, you **must** check the appropriate box for partial agreed or finalized and include the date of IRS finalization, **not** the date the federal change was filed. Attach a dated copy

of the federal examining officer's report. If you do not provide this date, you may be assessed penalties and interest.

**O —** If you are filing Form IL-1120-X on or before the extended due date, and wish to make the election to treat all income, other than compensation, as business income, check this box. If you previously had nonbusiness income on Form IL-1120, Step 4, Lines 24 and 32, you must reduce these amounts to zero on this Form IL-1120-X. Once made, the election is irrevocable. If you are filing Form IL-1120-X after the extended due date of the original return **and** did not make the election on your original return, you cannot check this box.

**P —** Check the box if you must adjust your income or loss due to Discharge of Indebtedness. For more information, see the instructions for Line 36 and the Discharge of Indebtedness worksheet.

**Q —** Check the box if you are a cooperative and completed Schedule INL either to make a first-time election for treatment of income or to figure your patronage and nonpatronage income or loss, or you are REMIC that completed Schedule INL to make an adjustment to Illinois income. **Attach** Schedule INL to your tax return.

## Step 2: Explain the changes on this return

The purpose of Step 2 is to allow you to explain what specific changes you are making to your Illinois tax return. You should include all relevant information, including, but not limited to, changes made to

- specific addition and subtraction modifications,
- unitary membership or unitary status,
- the business income election,
- credit or credit recapture amounts,
- the Illinois net operating loss deduction, and
- the federal or other state return that caused changes to the Illinois return.

You must provide an explanation for each line item you change.

## General Information for Steps 3 through 8

**Column A —** Write the amounts from your most recently filed or adjusted return for the year that you are amending. This may be figures from your original Form IL-1120, or a previously amended or audited return.

**Column B —** Write the correct amount for each line in Column B.

For each line item you change, you must provide an explanation for that change in Step 2.

**Note** If you are filing this form only to report an increase in your Illinois net loss and the change will not result in a refund, see the instructions for Step 6, Line 35.

## Step 3: Figure your income or loss

**Lines 1 through 8 —** Refer to your Form IL-1120, Step 2, Specific Instructions, for the year being amended.

**Note** Do not apply your Illinois net loss deduction amount from Illinois Schedule NLD in this step. NLDs are reported on Step 6, Line 38.

## Step 4: Figure your base income or loss

**Lines 10 through 22 —** List each item and the amount on the line provided. You must identify all subtractions and attach all of the required supporting documentation.

**Line 23 —** This is your base income or loss. If your base income or loss is derived solely inside Illinois, write this amount on Step 6, Line 35 and complete the rest of the return. If your base income or loss is derived inside and outside Illinois, continue to Step 5 and complete the rest of the return.

## Step 5: Figure your income allocable to Illinois

Complete Step 5 only if you originally completed this part, or you need to make a change that affects your base income or loss allocable to Illinois. Refer to Form IL-1120, Step 4, Specific Instructions, for the year being amended.

**Lines 24 and 32** — If you elected to treat all of your income other than compensation as business income on your original tax return, you must follow that election by writing zero on Form IL-1120-X, Lines 24 and 32, if it is after the extended due date of the return. If you are filing Form IL-1120-X before the extended due date and are making the election to treat all nonbusiness income as business income, Column B, Lines 24 and 32 should be reduced to zero.

## Step 6: Figure your net income

**Line 35** — Follow the instructions on the form. If the amount in Column A reflects income and the corrected amount in Column B reflects a loss, you may be able to carry this loss to other years as an Illinois NLD. See the instructions for Illinois Schedule NLD or Illinois Schedule UB/NLD for more information.

**Note** — If you are filing this form only to report an increase in your Illinois net loss and the change will not result in a refund, check the box in Step 1, Line D, complete Steps 3 and 4, Step 5, if applicable, and Step 6, Lines 35 through 37. Complete Step 2, explaining what caused the increase in the Illinois net loss and sign the return in Step 10. Leave the rest of the form blank.

**Line 36** — If you were required to reduce the net operating loss reported on your federal Form 1120 because you excluded any discharge of indebtedness income from this tax year's gross income, then you may be required to reduce the net loss reported on Line 35. Use the worksheet in the IL-1120 instruction booklet to figure your loss reduction. **Attach a copy of your federal Form 982, Reduction of Tax Attributes Due to Discharge of Indebtedness, to your Form IL-1120.**

If you are a combined group reporting a combined net loss on Line 35, you may be required to reduce this loss if one or more of your group members excluded discharge of indebtedness income and was required to reduce a federal net operating loss incurred for this tax year.

**Note** — If you also have Illinois net operating loss carryovers to the tax year of the debt cancellation, you may also be required to reduce those carryovers. See Schedule NLD or UB/NLD for more information.

**Line 37** — If you have a discharge of indebtedness adjustment on Line 36, add Lines 35 (a negative number) and 36 (a positive number), and write the result here. This amount cannot be greater than zero.

If you do not have a discharge of indebtedness adjustment, write zero on Line 36 and the amount from Line 35 on Line 37.

## Line 38 —

**Note** — For tax years ending on or after January 1, 2011, and before December 31, 2012, the use of net loss deductions is suspended. Form IL-1120, Line 38 cannot be used for this tax year. Any amount you attempt to write on Line 38 will be reduced to zero. No Illinois NLD will be accepted.

If you are a cooperative and you separate your patronage and nonpatronage income or loss, complete Schedule INL and follow the instructions for computation of your Illinois net loss deduction and how to complete Schedule NLD.

## Step 7: Figure your net replacement tax

Follow the instructions on the form. Be sure to attach any required schedules or forms.

**Line 41** — See Illinois Schedule 4255, Recapture of Investment Tax Credits, for more information. You must attach Illinois Schedule 4255 if you have an amount on this line.

**Line 43** — See Form IL-477, Replacement Tax Investment Credits, for more information. You must attach Form IL-477 if you have an amount on this line.

## Step 8: Figure your net income tax

Follow the instructions on the form and attach any required schedules.

**Line 46** — See Illinois Schedule 4255 for more information regarding the recapture of investment credits. You must attach Illinois Schedule 4255 if you have an amount on this line.

**Line 48** — See Illinois Schedule 1299-D for more information regarding income tax credits. If you have an amount on this line, attach Illinois Schedule 1299-D and mark the box in Step 1, Line G.

## Step 9: Figure your refund or balance due

**Note** — If you are filing this form only to report an increase in your Illinois net loss and a refund will not result, do not complete this step.

**Lines 50 and 51** — Follow the instructions on the form. However, if you are a foreign insurer and you completed Illinois Schedule INS or Illinois Schedule UB/INS, write the reduced replacement and income tax amounts from that schedule.

**Line 56** — Write the total amount of any subsequent tax payments you made with a previously filed Form IL-1120-X, or for any other reason (e.g., responding to a bill). Do not include any penalty and interest you previously paid.

**Line 58** — Write the total amount of any overpayment, credit, or refund (whether received or not) reported on your previously filed Form IL-1120 or Form IL-1120-X. Do not include interest that you received.

**Line 60** — Follow the instructions on the form. We will calculate any interest that may be due you and include it in your refund check. Any refund may be reduced to satisfy any outstanding liability.

**Note** — Overpayments from Form IL-1120-X cannot be credited to estimated tax, unless this return is filed before the extended due date of the original return.

Also, we are not required to credit your overpayment against any other liability at your request. If you have not made previous arrangements with us to credit your overpayment against another liability, and we refund your overpayment or credit it against a different liability, you may incur additional penalties and interest on your liability.

**Line 61** — Follow the instructions on the form. This is your amount of tax due that must be paid in full if \$1 or more. Make your check or money order payable to “**Illinois Department of Revenue**” and **attach to the first page of this form**. We will compute any penalty or interest due and notify you.

**Note** — We will apply all payments against tax first, penalty second, and interest third.

**Lines 62 through 64** — We will bill you for penalties and interest. If you prefer, you may calculate the penalties and interest you owe and write these amounts on the lines provided. For more information see “What are the penalties and interest?” and Publication 103, Penalties and Interest for Illinois Taxes. **If you calculate penalty and interest, be sure that your payment is equal to the amount on Line 64.**

**Note** — Lines 62 and 63 are applicable only if you wish to self-assess late-filing and late-payment penalties on Form IL-2220. If you are filing this return after the extended due date of the return, **do not complete Form IL-2220** because any previously assessed late payment for estimated tax penalty cannot be recalculated and Form IL-2220 will not correctly figure your penalties. We will calculate all penalties and interest and send you a bill.

If you have a balance due on Lines 61 or 64, be sure to **write the amount you are paying on the top of Page 1 of the Form IL-1120-X and attach your payment to the front of this return**.